



**BRIDGEPORT FIRE DEPARTMENT  
EMPLOYEES FEDERAL CREDIT UNION**

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April 2, 2009

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

RE: Advanced Notice of Proposed Rulemaking to 12 CFR Part 704

Dear Ms. Rupp:

On behalf of the management and Board of The Bridgeport Fire Dept. Employees Federal Credit Union, I would like to take this opportunity to comment on the recently issued ANPR to 12 CFR Part 704.

We commend the NCUA for allowing natural person credit unions the opportunity to express our thoughts and viewpoints as part of the evaluative process. The Bridgeport Fire Dept. EFCU is \$17.8 million in assets and serves fire department employees and several select groups.

**1. Role of Corporate in the Credit Union System**

**Payment Systems:**

Corporate Credit Unions are essential for most credit unions to be able to offer the variety of payment systems demanded by our membership. Credit unions under \$50 million rely on the expertise available from corporate staff in servicing our members' needs in this area. In this area, our corporate credit unions serve us well and economically.

**Liquidity and Liquidity Management:**

Our corporate credit union is our only source for borrowing. We rely on them to provide us with a line of credit should we have heavy liquidity demands. We also rely on them to offer competitive rates. I would rather invest in my corporate, keeping our funds in the credit union system, than in a bank CD. However, it is very hard for the corporate to compete with the banks. My corporate ran a special in February offering 1.5% for one year. The same day, I could have invested with over 10 banks at rates from 2.9 to 3.05% for the same term. For corporates to remain competitive, they must be able to invest in products that will allow them to offer fair rates to their member credit unions.

**Field of Membership:**

As a fairly small credit union, we have never had the need to use more than one corporate, but I do know of other credit unions that have, both for borrowing and excess liquidity. I think that having a national field of membership was both good and bad for the corporate network. It provided credit unions with a variety of investment options and increased borrowing power. It probably resulted in Corporates offering better rates and becoming more efficient in order to do so. However, it also may have changed the focus of the corporates as they grew larger. The competition became solely other corporates, rather than other financial institutions, and in some instances, I think a bit of merger mania took over, as corporates strove to gain operating efficiencies and cost savings. Of course, this was also in response to the clamoring by natural person credit unions for better rates on shares.

I think that in an effort to achieve economies of scale, corporates might be better served with regional membership. Most credit unions would find two corporates more than adequate for diversification. Also, I think all credit unions should be capitalized members of any corporate they join. If they are going to benefit from the rates or services, they should have capital at risk.

#### **Expanded Investment Authority:**

I believe that for corporates to remain viable, they must have expanded investment authority. To deny them this is to ask them to compete for member dollars with banks and other institutions that do have these authorities. I'm a loyal member of my corporate, but if I can get 150 basis points better at a bank, I'm going to the bank. I have to serve my members too. If corporates can't provide competitive investment rates, they won't be able to provide liquidity.

#### **Structure; two tiered system:**

I'm not sure what my thoughts are on the two-tiered system. I do think that the role of a wholesale corporate is necessary to provide both liquidity and investment opportunities to the corporates. Some corporates only act as pass-throughs to US Central, but I believe all corporates rely on them to some degree. Also they provide some of the payment systems that corporates provide to their members.

## **2. Corporate Capital**

In my opinion, most corporates run on very thin margins. I also think that most corporates recognize the importance of building core capital. What those capital requirements should be is really beyond my expertise. I do believe that credit unions should still maintain membership capital in their corporates, but what level is acceptable to all concerned parties is again beyond me.

## **3. Permissible Investments**

Again, I do not feel qualified to comment on individual types of investments that should be made by corporates. I do believe that constraining corporate investment authority in response to the current economic crisis is uncalled for. The investments made by the corporates with expanded authority were well-rated and certainly well researched by their investment departments. The NCUA does a thorough check of the level of expertise in corporate staff and volunteers before granting expanded authority.

## **4. Credit Risk Management**

## **5. Asset Liability Management**

On both of these items, I believe corporates are doing the best job possible. It would be nice if some of these computer models could tell us the entire market is going down the drain, but no matter what controls are implemented, there is still a chance for losses, sometimes major losses. We need to continue to ensure that corporates have the capital, AND the expertise to handle these losses when they occur.

## **6. Corporate Governance**

It is my belief that corporates should be governed by their member-owners. That is the basis of the credit union movement. I also find it hard to fathom that outside professionals would be interested in serving as unpaid directors or that corporates, already operating on thin margins, could afford to pay outside directors. It is essential that the natural person credit unions which capitalize a corporate retain control of the direction of the corporate.

Once again, I thank the NCUA board for allowing natural person credit unions this opportunity to respond to the ANPR. Our corporate credit unions are important to us as a way to serve our members and as a source of liquidity. I realize the present economic crisis has caused many extraordinary things to take place, both in the credit union system and the entire economy. It is my hope that we can work with our corporates and with NCUA to build a stronger system that will benefit the entire credit union movement.

Sincerely,



Carol A. Davis  
Director, New York State Office of  
Environmental Conservation